



Department of Veterans Affairs

Financial Policy

Volume V

Assets

Chapter 12

Accounting for Enhanced-Use Leases

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1201 Overview	2
1202 Revisions	2
1203 Definitions	4
1204 Roles and Responsibilities	5
1205 Policies.....	5
120501 Entering into an EUL.....	5
120502 Accounting and Monitoring of EULs	7
120503 Financial Reporting	8
1206 Authorities and References	9
1207 Rescissions	10
1208 Questions	10
Appendix A: Tracking Enhanced-Use Leases in FMS.....	12
Appendix B: Tracking Enhanced-Use Leases in iFAMS.....	13

1201 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies for accounting for Enhanced-Use Leases (EULs), where VA is the lessor.

Key points covered in this chapter:

- The Secretary of VA, or designee, has authority to out-lease unused or underutilized VA real property for terms of up to 99 years;
- Under Public Law 114-497, reimbursements for prior year expenses will be available for use in the year received;
- The interest of the United States in any property subject to an EUL is not subject to state and local taxes, except sales taxes connected to construction, repairs, or other improvements, per 38 U.S.C. § 8167;
- VA may transfer to the lessee all rights, title and interest of the United States in an EUL; and
- Congress has provided VA with the authority to keep proceeds from an EUL, including proceeds from the disposal of EUL property.

For information on non-EUL transactions, sharing of building space or other resources between Federal agencies, refer to Volume V, Chapter 11, Accounting for Real Property Leases and Agreements.

1202 Revisions

Section	Revision	Office	Reason for Change	Effective Date
120502 Policies	Clarified use of proceeds.	OFP (047G)	PACT Act	October 2022
120501 Policies	Clarified prioritization of property use.	OFP (047G)	To add clarity	October 2022
1201 Overview	Edited maximum term of EUL from 75 years to 99 years.	OFP (047G)	2022 PACT Act	October 2022
120501 Policies	Edited maximum term of EUL from 75 years to 99 years.	OFP (047G)	Policy updates via the PACT Act	October 2022
120502 Policies	Added “at the discretion of the Secretary”	OFP (047G)	Reflect modification of Use of Proceeds per the PACT Act	October 2022

Section	Revision	Office	Reason for Change	Effective Date
1206 Authorities and References	Added reference to PACT Act	OFP (047G)	Newly passed policy updates	October 2022
Various	Modified, added and removed definitions Modified Roles and Responsibilities to provide clarification on VA's key official responsibilities Updated and revised policy sections	OFP (047G)	Performed Full Review to address the implementation of VA's new accounting system and enhance the reader's understanding of EULs	May 2022
Appendix	Added Appendix A: Tracking Enhanced-Use Leases in FMS and Appendix B: Tracking Enhanced-Use Leases in iFAMS	OFP (047G)	To provide guidance on EULs will be tracked in VA's accounting systems	May 2022
1205 Policies	Added sentence to 120501 to address OMB approval requirement	APS (047GA)	Compliance with legal requirements	August 2019
Various	Reformatted to new policy format and completed 5-year review Changed Volume and Chapter from Volume II, Chapter 2G to Volume V, Chapter 12	APS (047GA)	Reorganized chapter layout To categorize the chapter with other asset chapters	January 2018
Various	Changed title from Enhanced-Use Funds to Accounting for Enhanced-Use Leases	APS (047GA)	To better reflect chapter content	January 2018
1203 Definitions	Added, removed, and modified definitions previously included	APS (047GA)	To add clarity	January 2018

Section	Revision	Office	Reason for Change	Effective Date
1204 Roles and Responsibilities	Added, removed, and modified roles and responsibilities previously included	APS (047GA)	To add clarity	January 2018
Appendices	Removed prior appendices and inserted detail in policy where appropriate	APS (047GA)	To remove procedural level detail and consolidate EUL policy within the policy section	January 2018

1203 Definitions

Accounting Classification Code (ACC) – A data attribute in VA’s legacy accounting system that serves as the funds control data element. Every lease for an Administration using VA’s legacy accounting system must have a unique ACC assigned by Office of Asset Enterprise Management (OAEM).

Agreement Number – The unique identifier for an EUL in CAI, assigned by OAEM.

Capital Asset Inventory (CAI) – VA’s enterprise-wide repository of information on the Department’s real property assets, including leases, EULs, agreements, buildings, facility condition assessments data and historical asset information for the portfolio.

Capital Contribution Payments – Minor construction funds VA contributes to an EUL.

Enhanced-Use Lease (EUL) – An agreement to lease VA owned property to an entity to finance, develop, operate and maintain property for the purpose as provided for in 38 U.S.C. § 8162. This is a negotiated arrangement between the Department and another entity for the use of unused or underutilized VA-owned property.

Lessee – The entity that enters into an EUL with the lessor (VA) to obtain the right to improve and use the underlying VA real property asset for a period of time.

Lessor – The entity (VA) that enters into an EUL to allow the lessee the right to improve and use the underlying VA asset for a period of time.

Revenue Source Code (RSC) – A standard agency-defined code that classifies revenue and receipt transactions by the type or source of revenue.

Supportive Housing – Affordable housing combined with coordinated services such as healthcare.

1204 Roles and Responsibilities

Secretary of Veterans Affairs is responsible for leasing unused or underutilized VA real property and for approving the disposal of EUL assets.

The Assistant Secretary for Management/Chief Financial Officer (VA CFO) and the Senior Real Property Officer (SRPO) are responsible for overseeing the management of all financial and capital asset activities and providing recommendations to the Secretary on the use of capital assets.

Under Secretaries, Assistant Secretaries, and Other Key Officials, Administration and Staff Office CFOs, and Fiscal Officers are responsible for ensuring compliance with the policies set forth in this chapter.

Office of Asset Enterprise Management (OAEM) has oversight responsibility for the EUL program and for preparing information required to be included in the Department's Agency Financial Report.

Office of Financial Audit (OFA) has the responsibility to compile and maintain EUL and trust accounts in compliance with generally accepted accounting principles and VA financial regulations.

Facilities Manager/Engineer, or designee, enters and maintains EUL agreement data in the CAI database, requests an agreement number from OAEM, monitors sharing partner usage location and coordinates with the local finance office to ensure that agreement information is processed in VA's accounting system. The Facilities Manager/Engineer also certifies that real property data in CAI, including EUL agreement data, is up-to-date and accurate on an annual basis.

Local Finance/Billing Office is responsible for ensuring EUL agreement numbers are setup in VA's accounting system (including appropriate revenue and expense coding), notifying the responsible service prior to the EUL expiration date, maintenance of documentation related to the EUL and the billing process.

Local Fiscal Officers are responsible for ensuring that VA's accounting system completely and accurately reflects all financial transactions related to an EUL project. The local fiscal officer also compiles financial results at the facility level and provides information to OAEM for financial reporting purposes.

1205 Policies

120501 Entering into an EUL

- A. VA may, in accordance with 38 U.S.C. § 8162, lease real property under its control or jurisdiction to other entities on a long-term basis (up to 99 years). The term of the EUL will be no longer than necessary to maximize benefits to the Department.
- B. VA will enter into EUL arrangements for vacant or underutilized VA properties in accordance with statutory authority and OAEM EUL policy. For more information on the phases of the EUL process, refer to VA's OAEM EUL website.
 - 1. The Secretary shall give priority to EULs that provide supportive housing for veterans, provide direct services or benefits targeted to veterans, or provide services or benefits that indirectly support veterans (PACT Act, Section 705-B).
- C. VA will present EUL projects to Office of Management and Budget for review prior to lease execution to determine if the lease is in compliance with terms defined in 38 U.S.C. § 8162.
- D. VA has the option, in accordance with 38 U.S.C. § 8162, to receive monetary consideration or if the Secretary desires, no consideration for an EUL.
- E. VA cannot receive consideration other than cash for an EUL executed under its current authority in 38 U.S.C. § 8162.
- F. The Secretary may not waive or postpone the obligation of a lessee to pay any consideration under an enhanced-use lease, including monthly rent.
- G. VA may contribute capital to an EUL in accordance with its authority under 38 U.S.C. § 8162.
 - 1. VA capital contributions will comply with existing Departmental internal controls and approvals for the use of minor construction funds, per VA Financial Policy Volume V, Chapter 9, General Property, Plant, and Equipment. Capital contributions will be coordinated with the involved Administration and/or staff office.
 - 2. Per Statement of Federal Financial Accounting Standards (SFFAS 6), Accounting for Property, Plant, and Equipment, capital leases transfer substantially all benefits and risks of ownership to the lessee. Under this standard capital contributions will not be capitalized by VA because the benefit and risk of ownership in the EUL has been transferred to the lessee. Capital contributions will be expensed.
- H. VA incurs EUL expenses by entering into EUL arrangements, which may be reimbursed using the proceeds per 38 U.S.C. § 8165. The Secretary may use the

proceeds from any EUL to reimburse applicable appropriations of the Department for any expenses incurred in the development of additional EULs.

1. This is designed to reimburse VA for OAEM and the Office of General Counsel (OGC) direct and indirect project-related expenses associated with planning, developing, executing, managing and providing legal advice and services for the respective EUL project, transactions and lease. This fee is not to exceed reasonable VA expenses.
2. Reimbursements within a VA appropriation will be accomplished by expenditure transfers.

120502 Accounting and Monitoring of EULs

- A. VA will collect lease payments in accordance with provisions of the EUL agreement. Gross proceeds received from an EUL activity may be initially deposited into a suspense account (Fund 036F3875E) and recorded in VA's accounting system. For more information on suspense accounts please refer to VA Financial Policy Volume II, Chapter 2C, Clearing (Suspense) and Deposit Funds.
 1. Gross proceeds will first be used to reimburse other VA appropriations, such as General Operating Expenses (GOE) for OGC and/or OAEM for EUL related expenses.
 2. VA will record reimbursable expenses in the appropriate accounting period.
 3. Reimbursements for prior year expenses will be available for use in the year received (Public Law 114-497).
 4. In accordance with 38 U.S.C § 8165, EUL proceeds remaining after reimbursement of expenses will, at the discretion of the Secretary, be deposited into:
 - The MCCF established under Section 1729A of said title; or
 - The Medical Facilities or Construction, Minor Projects account of the Department to be used to defray the costs of administration, maintenance, repair, and related expenses incurred by the Department with respect to property that is owned by or under the jurisdiction or control of the Department.
- B. The interest of the United States in any property subject to an EUL is not subject to state and local taxes, except sales taxes connected to construction, repairs, or other improvements (38 U.S.C. § 8167).
- C. Some EUL projects executed under previous authority, Public Law 102-86, Title IV, § 401 (a), were financed by the developer with public bonds. In these instances, a

trust was created in which the developer is the trustee and VA is the sole beneficiary. Any revenue and payment activity is made from, and recorded within, the trust, but the bonds are financed through the developer, per SFFAS 27, Identifying and Reporting Earmarked Funds.

- D. If the Secretary determines during the term of an EUL, or within 30 days of its expiration, the leased property is no longer needed by the Department, action may be taken to transfer interest in the property to the lessee in accordance with 38 U.S.C. § 8164. The Secretary is responsible for the final determination of whether disposal of the leased property is in the Department's best interest.
- E. Funds received by the Department from the disposal of leased property will be deposited in the designated major or minor construction accounts in accordance with 38 U.S.C. 8165.
- F. The Local Finance/Billing Office will perform quality assurance reviews to ensure EULs are properly billed and managed. Quality assurance reviews will at a minimum verify that:
 - EULs have been correctly billed in accordance with the associated agreement;
 - Bills were issued in a timely manner;
 - Receivables were tracked and delinquency notices were sent as required; and
 - Differences between amounts billed and received have been reconciled and a receivable exists for amounts due.
- G. The Local Finance/Billing Office will work closely with OAEM to develop a corrective action plan to resolve any receivables.
- H. The Local Finance/Billing Office will document the results of their quality assurance reviews and retain documentation for management review and audit.
- I. OFA has oversight of the EUL trust account database and ensures it is continually reviewed and current.
- J. VA will ensure EUL data is accurate and current in CAI and it is properly tracked in VA's accounting system. For additional information, refer to Appendix A: Tracking Enhanced-Use Leases in FMS and Appendix B: Tracking Enhanced-Use Leases in iFAMS.

120503 Financial Reporting

- A. VA will prepare financial statement presentation of EULs in accordance with Office of Management and Budget Circular A-136, Financial Reporting Requirements.
- B. OAEM will provide the information presented in the financial statements, to include:

- Description of Lease Arrangements: Provide the information necessary to disclose the commitment of the entity's assets including but not limited to the major asset category and lease terms; and
- Future Projected Receipts: Enter projected future lease revenues, by major asset category, for all capital and non-cancellable operating leases with terms longer than one year. Disclosure of future receipts for cancellable leases is optional. Agencies opting to disclose projected future receipts for cancellable leases should disclose them separately from projected future receipts for non-cancellable leases.

1206 Authorities and References

[38 U.S.C. § 2412 Lease of Land and Buildings](#)

[38 U.S.C. § 8122 Authority to Procure and Dispose of Property and to Negotiate for Common Services](#)

[38 U.S.C. § 8161, Enhanced-Use Leases of Real Property, as amended, Definitions](#)

[38 U.S.C. § 8162, Enhanced-Use Leases of Real Property, as amended, Enhanced-use Leases](#)

[38 U.S.C. § 8163, Enhanced-Use Leases of Real Property, as amended, Hearing and notice requirements regarding proposed leases](#)

[38 U.S.C. § 8164, Enhanced-Use Leases of Real Property, as amended, Authority for disposition of leased property](#)

[38 U.S.C. § 8165, Enhanced-Use Leases of Real Property, as amended, use of proceeds](#)

[38 U.S.C. § 8166, Enhanced-Use Leases of Real Property, as amended, Construction standards](#)

[38 U.S.C. § 8167, Enhanced-Use Leases of Real Property, as amended, Exemption from state and local taxes](#)

[Accounts Receivable \(AR\) Financial-Administrative Section Version 4.5 - AR Manuals](#)

[FASAB Handbook by Chapter](#)

SFFAS 6, Accounting for Property, Plant, and Equipment
SFFAS 27, Identifying and Reporting Earmarked Funds

[H.R. 3967 PACT Act of 2022, §705\(b\)](#)

[Office of Asset Enterprise Management EUL Program Homepage](#)

[Office of Financial Policy](#)

VA Financial Policy Volume II, Chapter 2C, Clearing (Suspense) and Deposit Funds

VA Financial Policy Volume V, Chapter 6, Accounts and Interest Receivable

VA Financial Policy Volume V, Chapter 9, General Property, Plant, and Equipment

[OMB Circulars](#)

OMB Circular A-11, Preparation, Submission and Execution of the Budget

OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control

OMB Circular A-123, Appendix D to Circular No. A-123, Compliance with the Federal Financial Management Improvement Act of 1996

OMB Circular A-136, Financial Reporting Requirements

[Public Law 102-86, 105 STAT. 417, Title IV, § 401 \(a\), Real Property and Facilities](#)

[Public Law 112-154, 126 STAT. 1180, Title II, § 211 \(a\), Modification of Authorities For Enhanced-Use Leases of Real Property](#)

[Public Law 114-497 Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2017](#)

[VA Directive](#)

VA Directive 7415 Enhanced-Use Leasing Program

VA Directive 7454 Enhanced-Use Leasing Post Transaction

VA Directive 7632 Compliance with the Randolph Sheppard Act

[VA Handbook](#)

VA Handbook 7415 Enhanced-Use Leasing Program

VA Handbook 7454 - Enhanced-Use Leasing Post Transaction

1207 Rescissions

Volume II – Chapter 12, Accounting for Enhanced-Use Leases, January 2018

1208 Questions

Questions concerning these financial policies and procedures should be directed as follows:

VHA
FSC

VHA Financial Policy (Outlook)
VAFSC Nationwide Accounting (Outlook)

VBA	VAVBAWAS/CO/FINREP (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
NCA	NCA Financial Policy Group (Outlook)
NCA	NCA Budget Service (Outlook)
All Others	OFP Accounting Policy (Outlook)

Appendix A: Tracking Enhanced-Use Leases in FMS

- A. VA will ensure that EULs are tracked and accurately recorded in the Financial Management System (FMS) by following the steps below:
1. The Facilities Manager/Engineer or designee, enters the agreement information into the Capital Asset Inventory (CAI) database to establish a new EUL in CAI.
 2. Once the EUL is fully executed in CAI, the Facilities Manager/Engineer, or designee will coordinate with the Local Finance/Billing Office to complete the ACC/RSC Agreement Request Form that is emailed to OAEM at leaseac.codes@va.gov.
 3. Upon receipt of a fully completed code request form, OAEM assigns a unique Account Classification Codes (ACC) and Revenue Source Codes (RSC) to the agreement record in CAI and establishes codes in FMS.
 4. OAEM notifies the Facilities Manager/Engineer, or designee once the ACC and/or RSC has been assigned.
 5. The local station uses the fully executed agreement as the documentation for invoicing and settlement of payment.
 6. Depending on the nature of the EUL agreement, the local station will record an obligation in FMS after the EUL agreement is signed by both parties.
- B. Facilities Manager/Engineer or designee will update and maintain the EUL's status by following the steps below:
1. When a EUL is no longer active or operational, the agreement's status will have to be changed from "Operational" to "Inactive" in CAI.
 2. If there any amendments, the amendments will be uploaded into CAI.
 3. A copy of the EUL termination amendment will be provided to the local fiscal officer when an EUL is no longer active or operational.

Appendix B: Tracking Enhanced-Use Leases in iFAMS

- A. VA will ensure that EULs are tracked and accurately recorded in Integrated Financial and Acquisition Management System (iFAMS) by following the steps below:
1. Once the EUL is fully executed, VA's facilities manager/engineer or designee enters the EUL details into CAI and thereby generates an agreement number within CAI as well as uploading a fully executed copy of the EUL in CAI.
 2. VA's facilities manager/engineer or designee then enters the terms of the EUL agreement into the CAI database.
 3. VA provides a copy of the full executed EUL and the CAI-assigned unique identifier for that agreement to the local fiscal officer.
 4. The local fiscal officer will enter the accounting data and revenue source code into iFAMS for the fully executed EUL.
 5. The Organization (i.e., in FMS, this is known as local station) uses the fully executed agreement as the documentation for invoicing and settlement of payment.
 6. If VA is making a capital contribution to the EUL, the Organization will record an obligation in iFAMS after the EUL agreement is signed by both parties.
- B. Facilities Manager/Engineer or designee will update and maintain the EUL's status by following the steps below:
1. When a EUL is no longer active or operational, the agreement's status will have to be changed from "Operational" to "Inactive" in CAI.
 2. If there any amendments during the term of the EUL, the amendments will be uploaded into CAI.
 3. A copy of the EUL terminated amendment will be provided to the local fiscal officer when an EUL is no longer active or operational.